

Vinton G. Cerf

June 20, 1997

The Honorable Christopher Cox
2402 Rayburn House Office Building
Washington, DC 20515

Dear Congressman Cox:

Subject: Support for "**Internet Tax Freedom Act**"

I am pleased to personally endorse your legislation, H.R. 1054, the Internet Tax Freedom Act, sponsored by you, Congressman Cox. It reflects a refreshingly clear comprehension of the Internet's unique nature and a rare respect for the velocity at which its technology is advancing.

The legislation would sensibly impose a moratorium on any new state and local taxes on Internet or online commerce. There are two major problems with taxation on the Internet. The first is that every jurisdiction from local to state or province to national level might wish to impose a tax and that a "rush to taxation" might result from the first introduction of any tax specific to Internet transactions. The second is that a plethora of incoherent or inconsistent tax requirements from all levels would almost certainly impede Internet commerce development or, at the least, create massive confusion as to how to implement and administer tax policies imposed by hundreds if not thousands of jurisdictions around the world.

Before taxation is specifically proposed for Internet-based business, I think far more careful consideration is needed as to the framework and theory of taxation for the global system that the Internet represents.

Indeed, a number of state and local governments have already overreacted to the explosion of Internet use by considering ill-conceived tax rules. In some cases, they would unwittingly "kill the messenger" by making those who merely operate networks carrying Internet services responsible for taxes. What is not understood is that there is no more relationship between a retailer of Internet services and a network carrier of those services than there is between a mail order house and the Postal Service.

Tax policy should follow the development and deployment of the Internet and not attempt to anticipate or lead it -- except by anticipating, as the legislation implicitly does, that public policy will almost always lag behind technological developments. The rapid evolution of the Internet, as evidenced by the recent proliferation of "push technology," demonstrates that governments would be prudent to wait before enacting Internet tax statutes rather than trying to hit moving targets often wholly indifferent to jurisdictional boundaries.

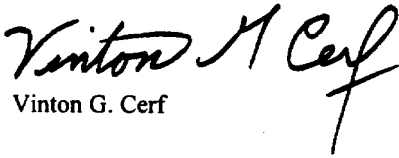
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Nonetheless, once the Internet becomes a major economic thoroughfare, many jurisdictions will want to apply various tax theories to Internet transactions. We may well need to convene an international forum on Internet taxes. But, to avoid unintended results, I urge great caution in this regard. No such meetings should be sought unless it is explicitly understood by all parties that the sole aim is to establish a global tax- and tariff-free zone for the Internet, as urged by the legislation. In the event that this goal proves to be unrealistic, then I would espouse forums which seek to establish frameworks which can be sensibly administered in a global setting.

Sincerely,

A handwritten signature in black ink, reading "Vinton G. Cerf". The signature is fluid and cursive, with the first name "Vinton" being the most prominent part.

Vinton G. Cerf